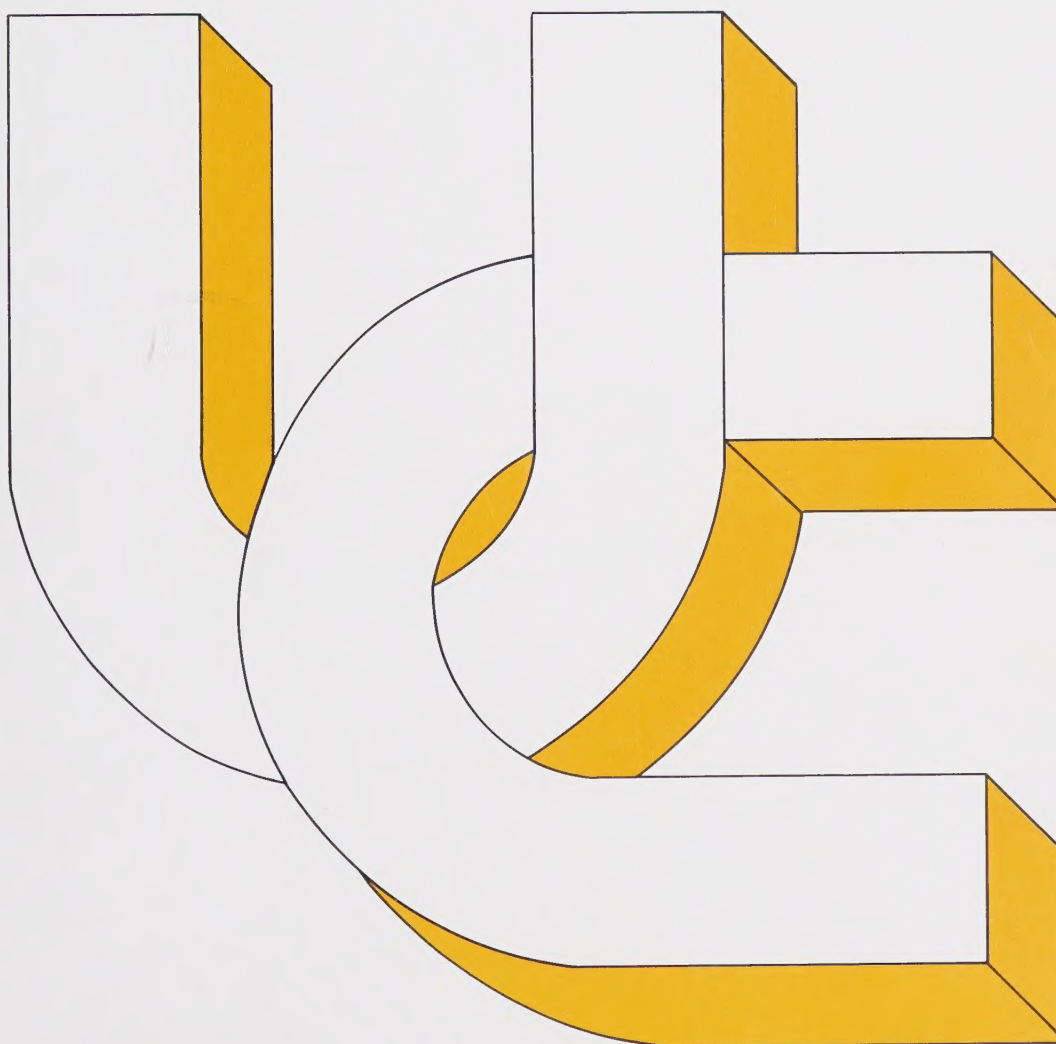



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# UNITED CORPORATIONS LIMITED

Annual Report 1976

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# UNITED CORPORATIONS LIMITED

Incorporated under the Laws of Canada



## DIRECTORS

IAN A. BARCLAY  
Vancouver

G. DRUMMOND BIRKS  
Montreal

JAMES V. EMORY  
Montreal

JOCK K. FINLAYSON  
Montreal

CHARLES L. GUNDY  
Toronto

KENNETH S. HOWARD, Q.C.  
Montreal

HENRY N. R. JACKMAN  
Toronto

CLIFFORD S. MALONE  
Montreal

R. A. M. SMITH, C.A.  
Montreal

IAN S. STEERS  
London, England

ALAN E. TARR  
Winnipeg

## OFFICERS

J. V. EMORY  
President

M. H. SIEGERMAN  
Vice-President

R. A. M. SMITH, C.A.  
Vice-President,  
Secretary and Treasurer

EVELYN CLAYTON  
Assistant Secretary

P. A. SMALLMAN  
Assistant Treasurer

## Auditors

Price Waterhouse & Co.

## Transfer Agent

Montreal Trust Company.  
Shares transferable at Montreal, Toronto, Halifax,  
Winnipeg, Regina, Calgary and Vancouver.

## Registrar

The Royal Trust Company.

## Head Office

800 Dorchester Blvd. West  
Montreal, Que. H3B 1X9

## Shares Listed

Class "A", 1959 Series Preferred and Class "B" shares are listed on the London, England, Montreal and Toronto Stock Exchanges. 1963 Series Preferred shares are listed on the Montreal and Toronto Stock Exchanges.





## TO THE SHAREHOLDERS

Your Directors take pleasure in presenting the 44th Annual Report of your Company for the year ended March 31, 1976.

### Review and Outlook

The world economic situation stabilized during 1975 and the fear of a major collapse which had been so prevalent during 1974 largely subsided by the end of the year as the economies of the western world, led by the United States, began to recover from the deepest recession of the post-war years. This recovery, together with increasing evidence that the risk of runaway inflation was lessening, led to the restoration of a greater degree of confidence in world stock markets, most of which had, up to the end of 1974, suffered declines comparable in many respects to the great bear market of 1929-32.

The American economic recovery, which is fundamental to that of the rest of the world, gained further strength during the first quarter of 1976 and is now beginning to take on many of the aspects of a classic cyclical upturn. In fact, the greatest element of risk in the present outlook may well lie in the possibility that the recovery in the United States will be too strong with a resulting danger of an unacceptable speed-up in the currently moderate rate of inflation further down the road. This, however, is only a longer-term possibility at this point and meanwhile most of the major stock markets of the world have been responding for some time to the more optimistic outlook.

While Canada can be expected to benefit from an improvement in world conditions and particularly from a solid recovery in the United States, this country obviously faces special problems. Unrealistic expectations, of which we have all been guilty to some degree, have been fostered for a period of years by free-spending governments at all levels and financed at the federal level by unsustainable increases in the money supply. The result, as might have been anticipated, has been a particularly virulent and stubborn inflationary situation which the responsible authorities were very late in recognizing. Given that situation, a theoretical case might be made for some kind of temporary price and income controls on the grounds that they would tend to re-enforce the apparent international trend towards the cooling of inflationary pressures. In practice, however, the program in its present form has a number of serious flaws even after giving effect to the changes proposed in the recent budget. It is exceedingly complicated and, as a consequence, something of an administrative nightmare; it still falls short of adequately containing the con-

tinuous increases in federal government expenditures which have been a principal contributing factor to inflationary pressures although, in fairness, it should be recognized that this is a difficult area to control over the short term and that too much restriction applied too suddenly could do more harm than good; and, most importantly, it provides little or no incentive for increased productivity which is the only real answer to inflation over the long run.

Faced with a multitude of uncertainties, it is perhaps not surprising that the Canadian stock market, although its trend has also been upward since the fall of 1974, has had the dubious distinction of being one of the worst performers among world markets during the recovery. As a result, the Toronto Stock Exchange Index, which, like many of the popular North American market measurements, has tended to outperform the market as a whole over the last several years, was still, as of the end of our fiscal year, more than 20% below its high set in October, 1973, and only 10% above its level at the end of March, 1965, eleven years ago. This has meant a long, frustrating period of inadequate return on investment for the holders of Canadian equities, particularly if adjustment is made for the accompanying decline in the purchasing power of the dollar. Indeed, in many respects Canadian investors, most of whom are people of relatively modest means, seem to be a forgotten group in the continuous interplay between government, labour and business.

Under these circumstances there is a temptation to write off Canadian equities and look for other avenues of investment. In our opinion this would be a mistake for at least two important reasons. The first is that it would be tantamount to admitting to the failure of our present economic system, in which equity investment performs a vital function, just at a time when it is demonstrating, on the evidence to date, remarkable resiliency in the face of a nearly unprecedented series of economic and political shocks. The second is that the decline in the stock market, unlike the 1929-32 episode with which it is being compared, has resulted almost entirely from a progressive lowering of the multiple which it has been prepared to place on a dollar of reported earnings rather than from any sizeable reduction in those earnings themselves. In the case of the Toronto Stock Exchange Index, this multiple has fallen from approximately 19 times earnings in 1972 to a current level of a little over 8 times estimated 1976 earnings. There have, of course, been many reasons for this decline but most of them revolve around the fear of a continuing high rate of inflation. While it would be foolish to deny the risk of an inflationary resurgence in the future, forecasts in this area have been



notoriously inaccurate and, meanwhile, the problem has been widely publicized. Because of the publicity given to the negative aspects of the present situation, Canadian stock prices, at their current level, have already had time to weigh the obvious problems facing us. As a consequence, unless further unexpected problems develop, the downside risk in the market should be relatively limited and any improvement in the outlook is likely to be reflected in a move towards more normal stock valuations. A return even to historically low multiples of, say, 11 or 12 times estimated 1976 earnings would result in a gain of something between 30% and 45% in the Toronto Index from its present level and any greater degree of enthusiasm, particularly if applied to a probable further increase in earnings in 1977, would produce correspondingly higher levels.

Providing the world economic recovery proceeds on schedule without generating a major resurgence of inflation and future government intervention in the economy is held within reasonable limits, the odds currently favour the Canadian stock market moving higher, perhaps considerably higher, over the foreseeable future. However, because of the nervousness generated by economic and political events of the last few years, the overall upward trend may be interrupted from time to time by reactions of some magnitude. It was this prospect of an underlying uptrend in stock prices which led your Directors to apply further leverage to the capitalization of your Company in the form of Income Debentures details of which are provided later in this Report.

#### **Balance Sheet** (see page 6)

Except for brief excursions above and below, the Toronto Stock Exchange Index remained within a trading range of about 10% during our fiscal year with a moderate bias to the upside. Our month-end net equity values per Class "B" Share, adjusted for refundable capital gains tax, followed a similar pattern but with somewhat less volatility, rising modestly overall from \$18.14 as of March 31, 1975 to \$18.32 at the end of March, 1976. The latter figure was slightly less than 18% below our adjusted all-time high set at the end of October, 1973. This compares with the previously mentioned drop of over 20% in the Toronto Stock Exchange Index during the same period.

The balance sheet gives effect to the private placement with our bankers early in March, 1976, of \$8 million principal amount of Income Debentures maturing March 9, 1979, but subject to call at our option in whole or in part on 30 days' notice in the interim. The terms of the issue

also provide that the maturity date may be extended for a further two years subject to renegotiation of the rate of interest which will be calculated during the initial three year term on the basis of a formula applied to the bank's prevailing prime lending rate. Based on this formula, the interest rate on the debentures as at March 31, 1976, was 6<sup>5</sup>/<sub>8</sub>%. Interest on income debentures is payable after income taxes but our tax level is low enough to make the raising of additional capital in this highly flexible form attractive under prevailing market conditions.

#### **Statements of Net Income and Surplus** (see page 7)

Income from dividends and interest totalled \$3,234,302, down from last year's record \$3,504,110. Operating expenses, at \$265,712, were only slightly above the previous year's figure of \$256,619 which, in turn, was the lowest level for any twelve-month fiscal period since 1968. Net income after taxes and interest on the income debentures, at \$2,900,755 compared to a record \$3,169,046 last year, was the second highest in the history of the company by a wide margin.

After provision for dividends on the Class "A" and Preferred Shares totalling \$378,355, net income available for the Class "B" Shares amounted to \$2,522,400, equal to 71.6¢ per share, down from \$2,790,691 or 79.3¢ per share in fiscal 1975. Here, again, the 1976 figure was the second highest in the company's history by a considerable margin.

Class "B" dividends declared and paid out of income during the year aggregated \$2,395,282, practically unchanged from the previous year's figure of \$2,392,243. Net income available for the Class "B" Shares exceeded the dividends declared by \$127,118 which, when added to retained income of \$1,024,707 at the beginning of the year, brought the year-end figure for retained income to \$1,151,825, equal to 32.7¢ per Class "B" Share.

The net loss on securities sold during the year amounted to \$2,892,770 which had the effect of reducing the balance of accumulated net realized gains on investments to \$55,030,518 from \$57,923,288 at the end of the prior year. However, the net loss was more than offset by an increase of \$3,166,962 in unrealized appreciation in the value of investments to \$3,430,129 from the previous year's figure of \$263,167. The net capital loss for tax purposes for the year amounted to \$3,206,267 which can be carried forward indefinitely against future capital gains. In addition, we had refundable capital gains tax on hand at the end of the year of \$215,478. Neither of these potential recoveries are reflected in the accounts.



## Dividends

Regular dividends at the annual rate of \$1.50 per share were declared and paid on the Class "A" and First Preferred Shares during the year. Dividends on the Class "B" Shares continued to be declared and paid at the regular quarterly rate of 16¢ per share established in January, 1975, and, in addition, an extra dividend of 4¢ per share was declared and paid in the fourth quarter of our fiscal year. This brought total dividends per Class "B" Share to 68¢, unchanged from the record level of the previous year. Barring something unexpected, your Directors anticipate being able to maintain Class "B" dividends at the same level during the current fiscal year despite the interest requirements of the new issue of Income Debentures.

## Portfolio and Investment Policy

The detailed portfolio of investments held by your Company as of March 31, 1976, is set out on pages 9 to 11 of this report and the distribution of investments, together with summary balance sheets showing changes of portfolio weightings as of the end of the last six fiscal periods is on page 16. These reflect the move towards a considerably more aggressive investment policy which was initiated during the fiscal year just ended and has continued during the opening weeks of fiscal 1977.

## Long Term Record of Investment Results — Class "B" Shares (see page 14)

The format of the usual record of your Company's progress since its inception in 1933 has been altered this year to conform more closely with the concept followed by the taxation authorities, namely that capital gains should only be treated as profits when they are realized. This is something of a departure from the practice of emphasizing net equity value per Class "B" Share which, as has been pointed out in prior Annual Reports, has become progressively less meaningful as an historical record of investment results without continuous and increasingly complicated adjustments for distortions caused by the current treatment of capital gains for tax purposes.

The record is a remarkable one by any standard and provides an impressive example of what can be achieved in the stock market by the application of reasonably conservative investment judgment over an extended period of time.

United was incorporated in May, 1933, to acquire, as of the end of 1932, the assets and undertakings of Con-

solidated Investment Corporation of Canada. That company had been launched in early 1929 with what, by today's standards, was an incredibly leveraged capitalization and had, as a consequence, found itself in serious difficulties as a result of the market crash which ensued shortly thereafter. United was, therefore, born at the bottom of the great depression of the 1930's at a time when there were very serious doubts as to the future for common stocks and, indeed, as to whether the economic system could continue to survive. As the figures show, at the end of the first year of operations the Class "B" Shares, whether based on the market value or the book value of the underlying assets, had a negative net equity value. What is not shown is the fact that they could have been acquired at that time for a few pennies per share by anyone with the faith and foresight to do so.

From that inauspicious beginning, the company produced the following after-tax results for its Class "B" Shareholders over a period of forty-three years and three months, roughly equivalent to an individual's working life: —

|                      | TOTAL<br>REALIZED   | DIVIDENDS<br>PAID   | ADDED TO<br>SURPLUS |
|----------------------|---------------------|---------------------|---------------------|
| <i>Capital Gains</i> | \$60,479,020        | \$ 5,448,502        | \$55,030,518        |
| <i>Income</i>        | 36,536,364          | 35,384,539          | 1,151,825           |
| <i>Grand Totals</i>  | <u>\$97,015,384</u> | <u>\$40,833,041</u> | <u>\$56,182,343</u> |

Perhaps this long-term record, which began at a time of great uncertainty and was achieved under a wide variety of economic and stock market environments, provides a lesson applicable to the present uncertain investment climate.

## Subsidiary and Associated Companies

Our wholly owned subsidiary, United Bond & Share Limited, which acts as the management company for all our operations including the provision of investment management services on a fee basis, experienced another year of satisfactory growth. As a consequence, despite continuously rising operating costs, we were able to maintain the United management fee at the same level as the previous year which, in turn, was the lowest of any twelve-month period since 1968.

The RoyFund operation, consisting of two mutual funds, RoyFund (Equity) Ltd. and RoyFund Income Trust continued to expand during the year. On a combined basis



the assets of the two funds, which are managed by United Bond & Share and distributed through the branches of The Royal Bank of Canada, had reached \$106.8 million as of May 31, 1976, compared to \$91.1 million a year earlier. A return to more normal market conditions resulting in a higher level of confidence on the part of the small investor would benefit this area of our operations considerably.

The Interior Trust Company, owned equally by The Royal Bank of Canada and United Bond & Share, continued dormant during the year insofar as the usual activities of a trust company are concerned. However, in addition to operating its own investment portfolio, Interior Trust owns 50% of the voting shares of RoyMor Ltd. with the other half owned by The Royal Bank of Canada. RoyMor, the business of which is to purchase mortgages from the bank which the latter has originated and processed, has continued its record of extraordinary growth with assets exceeding \$500 million at the end of 1975.

A further small return of capital amounting to \$33,200 was received from International Capital Corporation Ltd. which remained in a holding position during the year.

#### **Directors and Officers**

On July 14, 1975, M. H. Siegeman and R. A. M. Smith were appointed Vice-Presidents replacing C. L. Gundy who remained as a Director. No other changes of Directors or Officers have taken place since the last Annual Meeting.

On behalf of the Directors,

J. V. Emory  
President

June 11, 1976

## BALANCE SHEET

|   | March 31            |                     |
|---|---------------------|---------------------|
|   | 1976                | 1975                |
| <b>Assets:</b>  |                     |                     |
| Portfolio investments, at market value (average cost —<br>1976 — \$68,509,063; 1975 — \$64,009,346) ..... | \$71,939,192        | \$64,272,513        |
| Other investments (Note 2) .....  | 1,840,810           | 1,831,305           |
|   | <u>73,780,002</u>   | <u>66,103,818</u>   |
| Cash and temporary cash investments .....   | 5,648,750           | 5,383,296           |
| Accrued income on investments .....   | 378,832             | 324,436             |
| Due from brokers .....  | 322,012             | —                   |
| Income taxes recoverable .....  | 3,008               | 160,575             |
|   | <u>\$80,132,604</u> | <u>\$71,972,125</u> |
| <b>Liabilities:</b>   |                     |                     |
| Accrued interest payable .....  | \$ 33,343           | \$ —                |
| Due to brokers .....  | —                   | 259,974             |
| Other accounts payable .....  | 23,766              | 37,966              |
|   | <u>57,109</u>       | <u>297,940</u>      |
| Income debentures (Note 3) ' .....  | 8,000,000           | —                   |
|   | <u>8,057,109</u>    | <u>297,940</u>      |
| <b>Shareholders' equity:</b>  |                     |                     |
| Capital stock (Notes 4 and 6) —   |                     |                     |
| Authorized —  |                     |                     |
| 52,237 Class "A" shares   |                     |                     |
| 200,000 First preferred shares  |                     |                     |
| 48,617,302 Second preferred shares  |                     |                     |
| 6,000,000 Class "B" shares  |                     |                     |
| Issued —  |                     |                     |
| Class "A" First preferred Class "B"   |                     |                     |
| 53,237 — 2,877,480 for a consideration of   | 119,384             | 119,384             |
| — 200,000 — " " " "   | 6,000,000           | 6,000,000           |
| — — 644,993 " " " "   | 6,343,639           | 6,343,639           |
| <u>53,237 200,000 3,522,473</u>   | <u>12,463,023</u>   | <u>12,463,023</u>   |
| Surplus —   |                     |                     |
| Retained income .....   | 1,151,825           | 1,024,707           |
| Accumulated net realized gains on investments .....   | 55,030,518          | 57,923,288          |
|   | <u>56,182,343</u>   | <u>58,947,995</u>   |
|   | 68,645,366          | 71,411,018          |
| Unrealized appreciation in value of investments .....   | 3,430,129           | 263,167             |
|   | <u>72,075,495</u>   | <u>71,674,185</u>   |
|   | <u>\$80,132,604</u> | <u>\$71,972,125</u> |

APPROVED BY THE BOARD:

C. S. MALONE, Director

J. V. EMORY, Director

See notes to financial statements.



## STATEMENT OF NET INCOME

|  | Year ended March 31 |                     |
|--|---------------------|---------------------|
|  | 1976                | 1975                |
| NET INCOME:  |                     |                     |
| Income —   |                     |                     |
| Dividends and interest .....   | \$ 3,234,302        | \$ 3,504,110        |
| Expenses —   |                     |                     |
| Management fee .....   | 175,000             | 175,000             |
| Directors' remuneration .....  | 25,950              | 25,600              |
| Fees and expenses of trustee, registrar and transfer agents .....                                      | 21,540              | 24,611              |
| Taxes other than income taxes .....  | 1,565               | 1,565               |
| Legal and audit fees .....   | 16,978              | 14,100              |
| Office and miscellaneous expenses .....  | 24,679              | 15,743              |
|  | <u>265,712</u>      | <u>256,619</u>      |
| Interest on income debentures .....  | 33,343              | —                   |
|  | <u>299,055</u>      | <u>256,619</u>      |
| Income before income taxes .....   | <u>2,935,247</u>    | <u>3,247,491</u>    |
| Income taxes —   |                     |                     |
| Foreign withholding taxes .....  | 17,197              | 49,279              |
| Provision for Canadian taxes .....   | 60,000              | 63,000              |
|  | <u>77,197</u>       | <u>112,279</u>      |
|  | <u>2,858,050</u>    | <u>3,135,212</u>    |
| Equity in net income of subsidiary .....   | 42,705              | 33,834              |
| NET INCOME .....   | <u>\$ 2,900,755</u> | <u>\$ 3,169,046</u> |
| Net income per Class "B" share based on the average number of shares outstanding during the year ..... | <u>71.6¢</u>        | <u>79.3¢</u>        |

## STATEMENT OF SURPLUS

|  | Year ended March 31 |                     |
|--|---------------------|---------------------|
|  | 1976                | 1975                |
| RETAINED INCOME:   |                     |                     |
| Balance at beginning of year .....                         | \$ 1,024,707        | \$ 626,259          |
| Net income .....   | 2,900,755           | 3,169,046           |
|  | <u>3,925,462</u>    | <u>3,795,305</u>    |
| Dividends:   |                     |                     |
| Class "A" shares .....                                     | 78,355              | 78,355              |
| First preferred shares .....                               | 300,000             | 300,000             |
| Class "B" shares (per share 1976 — 68¢; 1975 — 68¢) .....  | 2,395,282           | 2,392,243           |
|  | <u>2,773,637</u>    | <u>2,770,598</u>    |
| Balance at end of year .....                               | <u>\$ 1,151,825</u> | <u>\$ 1,024,707</u> |
| ACCUMULATED NET REALIZED GAINS ON INVESTMENTS:             |                     |                     |
| Balance at beginning of year .....                         | \$57,923,288        | \$57,089,822        |
| Net gain (loss) on securities sold during the year —       |                     |                     |
| Proceeds from sale of investments .....                    | 33,621,413          | 22,617,195          |
| Investments at cost at beginning of year .....             | 64,009,346          | 58,076,953          |
| Investments purchased during year .....                    | 41,013,900          | 27,701,506          |
| Investments at cost at end of year .....                   | (68,509,063)        | (64,009,346)        |
| Cost of investments sold .....                             | 36,514,183          | 21,769,113          |
|  | <u>(2,892,770)</u>  | <u>848,082</u>      |
| Net gain (loss) .....                                      | —                   | (160,000)           |
| Amount applied to reduce investment to realizable value .. | —                   | 145,384             |
| Income tax recovery resulting from sale of investments ... | (2,892,770)         | 833,466             |
|  | <u>\$55,030,518</u> | <u>\$57,923,288</u> |
| Balance at end of year .....                               |                     |                     |

See notes to financial statements.

STATEMENT OF  
CHANGES IN NET ASSETS

|   | Year ended March 31 |                     |
|---|---------------------|---------------------|
|   | 1976                | 1975                |
| Net assets at beginning of year .....   | \$71,674,185        | \$82,457,336        |
| Add (deduct) changes during year —  |                     |                     |
| Net income .....  | 2,900,755           | 3,169,046           |
| Net gain (loss) on sale of investments .....                                    | (2,892,770)         | 848,082             |
| Increase (decrease) in unrealized appreciation in value<br>of investments ..... | 3,166,962           | (12,061,890)        |
| Dividends .....   | (2,773,637)         | (2,770,598)         |
| Income tax recovery resulting from sale of investments .                        | —                   | 145,384             |
| Amount applied to reduce investment to realizable<br>value .....                | —                   | (160,000)           |
| Proceeds from issue of Class "B" shares .....                                   | —                   | 46,825              |
| Net assets at end of year .....   | <u>\$72,075,495</u> | <u>\$71,674,185</u> |

See notes to financial statements.



## STATEMENT OF PORTFOLIO INVESTMENTS AS AT MARCH 31, 1976

| No. of Shares<br>or par value |  | Average<br>cost   | Market<br>value   | % of<br>total<br>Portfolio<br>Investments |
|-------------------------------|--|-------------------|-------------------|---|
| <b>Banks</b>                  |  |                   |                   |   |
| 5,900                         | Bank of Montreal .....   | \$ 99,533         | \$ 91,450         |   |
| 89,750                        | The Bank of Nova Scotia .....                                    | 3,633,210         | 3,477,813         |   |
| 83,800                        | Canadian Imperial Bank of Commerce .....                         | 1,434,777         | 2,136,900         |   |
| 50,300                        | The Mercantile Bank of Canada .....                              | 885,113           | 710,487           |   |
| 124,600                       | The Royal Bank of Canada .....                                   | 2,664,167         | 3,442,075         |   |
| 125,398                       | The Toronto-Dominion Bank .....                                  | 2,300,500         | 2,304,188         |   |
|                               |  | <u>11,017,300</u> | <u>12,162,913</u> | 16.90                                     |
| <b>Chemical</b>               |  |                   |                   |   |
| 5,800                         | Union Carbide Canada Limited .....                               | 113,677           | 135,575           | .19                                       |
| <b>Communications</b>         |  |                   |                   |   |
| 69,000                        | Western Broadcasting Company Ltd. Class A .....                  | 653,790           | 707,250           | .98                                       |
| <b>General Manufacturing</b>  |  |                   |                   |   |
| 100,000                       | Canadian Marconi Company .....                                   | 495,454           | 550,000           |   |
| 10,000                        | I.T.L. Industries Limited 6 1/2% Conv. Pfd. Series "B" .....     | 250,000           | 92,500            |   |
| 46,500                        | Northern Telecom Limited .....                                   | 1,274,780         | 1,650,750         |   |
| 35,000                        | Northern Telecom Limited Warrants .....                          | 436,004           | 542,500           |   |
|                               |  | <u>2,456,238</u>  | <u>2,835,750</u>  | 3.94                                      |
| <b>Mines &amp; Metals</b>     |  |                   |                   |   |
| 21,500                        | Alcan Aluminium Limited .....                                    | 585,439           | 572,437           |   |
| 29,400                        | Asbestos Corporation Limited .....                               | 622,716           | 870,975           |   |
| 22,500                        | Cominco Ltd. ....  | 695,717           | 849,375           |   |
| 12,700                        | Falconbridge Nickel Mines Limited .....                          | 505,767           | 511,175           |   |
| 52,322                        | Great Lakes Nickel Limited Options .....                         | 1,207             | 7,848             |   |
| 3,000                         | Hudson Bay Mining and Smelting Co., Limited Class "A" .....      | 64,762            | 62,625            |   |
| 70,100                        | The International Nickel Company of Canada, Limited Class "A" .. | 2,284,693         | 2,260,725         |   |
| 117,500                       | Kaiser Resources Ltd. ....                                       | 1,421,723         | 1,277,813         |   |
| 68,100                        | Kerr Addison Mines Limited Class "A" .....                       | 890,410           | 791,663           |   |
| 67,000                        | Noranda Mines Limited Class A .....                              | 2,300,322         | 2,353,375         |   |
| 2,400                         | Placer Development Limited .....                                 | 59,306            | 57,000            |   |
| 70,620                        | Rio Algom Mines Limited .....                                    | 2,192,528         | 2,471,700         |   |
|                               |  | <u>11,624,590</u> | <u>12,086,711</u> | 16.80                                     |
| <b>Merchandising</b>          |  |                   |                   |   |
| 11,400                        | Canadian Tire Corporation, Limited Class A .....                 | 557,994           | 552,900           |   |
| 71,250                        | Dominion Stores Limited .....                                    | 1,208,405         | 1,140,000         |   |
|                               |  | <u>1,766,399</u>  | <u>1,692,900</u>  | 2.36                                      |
| <b>Oil &amp; Gas</b>          |  |                   |                   |   |
| 85,000                        | Alberta Eastern Gas Limited .....                                | 879,958           | 871,250           |   |
| 11,000                        | Acquitaine Company of Canada Ltd. ....                           | 224,649           | 225,500           |   |
| 26,500                        | Dome Petroleum Limited .....                                     | 853,296           | 924,188           |   |
| 12,000                        | Gulf Oil Canada Limited .....                                    | 278,266           | 385,500           |   |
| 17,350                        | Home Oil Company Limited Class A .....                           | 474,668           | 529,175           |   |
| 10,300                        | Hudson's Bay Oil and Gas Company Limited .....                   | 327,137           | 383,675           |   |
| 39,000                        | Husky Oil Ltd. ....  | 1,071,692         | 848,250           |   |
| 33,500                        | Imperial Oil Limited Class "A" .....                             | 851,138           | 799,812           |   |
| 58,050                        | Pacific Petroleum Ltd. ....                                      | 1,318,451         | 1,756,013         |   |
| \$500,000                     | Pacific Petroleum Ltd. 5% Conv. 1992 .....                       | 392,500           | 430,000           |   |
| 82,100                        | Shell Canada Limited Class "A" .....                             | 1,071,764         | 1,313,600         |   |
|                               |  | <u>7,743,519</u>  | <u>8,466,963</u>  | 11.77                                     |

# UNITED CORPORATIONS LIMITED

## STATEMENT OF PORTFOLIO INVESTMENTS AS AT MARCH 31, 1976

| No. of Shares<br>or par value      |  | Average<br>cost  | Market<br>value  | % of<br>total<br>Portfolio<br>Investments |
|------------------------------------|--|------------------|------------------|---|
| <b>Paper &amp; Forest Products</b> |  |                  |                  |   |
| 28,800                             | Abitibi Paper Company Ltd. ....  | \$ 386,420       | \$ 352,800       |   |
| 3,100                              | Consolidated-Bathurst Limited Class A .....  | 117,572          | 114,313          |   |
| 2,500                              | Consolidated-Bathurst Limited Warrants .....   | 43,231           | 42,187           |   |
| 23,900                             | The Price Company Limited .....  | 406,504          | 382,400          |   |
|                                    |  | <u>953,727</u>   | <u>891,700</u>   | 1.24                                      |
| <b>Pipeline</b>                    |  |                  |                  |   |
| 79,000                             | The Alberta Gas Trunk Line Company Limited Class "A" .....   | 754,424          | 1,027,000        |   |
| 105,000                            | TransCanada PipeLines Limited .....  | 1,227,800        | 1,273,125        |   |
| 53,022                             | Westcoast Transmission Company Limited .....   | 1,160,981        | 1,285,783        |   |
|                                    |  | <u>3,143,205</u> | <u>3,585,908</u> | 4.99                                      |
| <b>Real Estate</b>                 |  |                  |                  |   |
| 46,000                             | The Cadillac Fairview Corporation Limited .....  | 557,588          | 425,500          |   |
| 21,900                             | S. B. McLaughlin Associates Limited .....  | 456,980          | 199,838          |   |
|                                    |  | <u>1,014,568</u> | <u>625,338</u>   | .87                                       |
| <b>Steel</b>                       |  |                  |                  |   |
| 36,200                             | The Algoma Steel Corporation, Limited .....  | 873,250          | 909,525          |   |
| 59,150                             | Dominion Foundries and Steel, Limited Class A .....  | 1,556,101        | 1,537,900        |   |
| 102,000                            | The Steel Company of Canada, Limited Class "A" .....   | 2,997,200        | 2,881,500        |   |
|                                    |  | <u>5,426,551</u> | <u>5,328,925</u> | 7.41                                      |
| <b>Trust &amp; Loan</b>            |  |                  |                  |   |
| 15,100                             | IAC Limited .....  | 281,737          | 271,800          |   |
| 36,900                             | The Royal Trust Company Class "A" .....  | 856,063          | 830,250          |   |
|                                    |  | <u>1,137,800</u> | <u>1,102,050</u> | 1.53                                      |
| <b>Utility</b>                     |  |                  |                  |   |
| 88,942                             | Bell Canada .....  | 3,935,090        | 3,991,272        |   |
| 58,750                             | Calgary Power Ltd. Class A .....   | 1,371,512        | 1,622,969        |   |
| 55,200                             | Norcen Energy Resources Limited .....  | 683,797          | 669,300          |   |
| 69,000                             | Union Gas Limited Class A .....  | 527,677          | 534,750          |   |
|                                    |  | <u>6,518,076</u> | <u>6,818,291</u> | 9.48                                      |
| <b>Miscellaneous</b>               |  |                  |                  |   |
| 61,000                             | Canadian Pacific Limited .....   | 1,016,619        | 1,014,125        |   |
| 86,500                             | Consumers Glass Company Limited .....  | 828,274          | 1,275,875        |   |
| 8,000                              | Crown Life Insurance Company .....   | 358,185          | 384,000          |   |
| 29,000                             | Genstar Limited .....  | 532,790          | 619,875          |   |
| 16,000                             | The Great-West Life Assurance Company .....  | 1,015,356        | 888,000          |   |
| 13,000                             | McIntyre Mines Limited .....   | 549,261          | 568,750          |   |
| 37,500                             | Moore Corporation Limited .....  | 1,777,108        | 1,804,687        |   |
| 20,000                             | Okanagan Helicopters Limited .....   | 294,043          | 142,500          |   |
| 30,100                             | Rothmans of Pall Mall Canada Limited<br>6 <sup>5</sup> / <sub>8</sub> % Conv. Second Pfd. (\$20 par) ..... | 430,770          | 496,650          |   |
| 28,800                             | Rothmans of Pall Mall Canada Limited .....   | 433,089          | 504,000          |   |
| 25,000                             | Systems Dimensions Limited .....   | 273,417          | 70,000           |   |
| \$350,000                          | Systems Dimensions Limited 5% Conv. 1989 .....   | 410,000          | 175,000          |   |
|                                    |  | <u>7,918,912</u> | <u>7,943,462</u> | 11.04                                     |



# STATEMENT OF PORTFOLIO INVESTMENTS AS AT MARCH 31, 1976

| No. of Shares<br>or par value            |   | Average<br>cost     | Market<br>value     | % of<br>total<br>Portfolio<br>Investments |
|--|---|---------------------|---------------------|---|
| <b>American Securities</b>               |   |                     |                     |   |
| 20,000                                   | W. W. Grainger Incorporated .....                 | \$ 494,347          | \$ 590,600          |   |
| 8,000                                    | Inland Steel Company .....                        | 366,311             | 395,680             |   |
| 8,000                                    | International Business Machines Corporation ..... | 1,672,098           | 2,063,120           |   |
| 8,000                                    | Lilly (Eli) and Company .....                     | 418,777             | 430,160             |   |
| 25,000                                   | Lykes-Youngstown Corporation .....                | 587,698             | 516,750             |   |
| 5,500                                    | McDonald's Corporation .....                      | 345,209             | 346,500             |   |
| 13,500                                   | Mobil Oil Corporation .....                       | 719,214             | 770,715             |   |
| 46,800                                   | Northwest Airlines, Incorporated .....            | 1,302,486           | 1,307,124           |   |
| 11,200                                   | D. S. Revco Incorporated .....                    | 488,236             | 487,872             |   |
| 9,000                                    | Sundstrand Corporation .....                      | 244,235             | 256,860             |   |
| 1,100                                    | Texasgulf Inc. ....                               | 38,361              | 37,950              |   |
| 4,500                                    | United States Steel Corporation .....             | 343,739             | 352,125             |   |
|  |   | <u>7,020,711</u>    | <u>7,555,456</u>    | 10.50                                     |
| <b>Total Portfolio Investments .....</b> |   | <u>\$68,509,063</u> | <u>\$71,939,192</u> | <u>100.00%</u>                            |

NOTES  
TO FINANCIAL  
STATEMENTS  
March 31, 1976

1. Summary of accounting policies:

Portfolio investments —

Portfolio investments are carried at quoted market value which is determined from published last sales prices on national securities exchanges at March 31, 1976. No provision has been made for deferred income taxes that would be payable if the investments had been disposed of on March 31, 1976 at the quoted market prices on that date. If such realization had taken place, taxes payable on the resulting capital gains would be refundable on distribution of these gains as explained in Note 5.

Other investments —

Other investments are carried at the lower of cost and net realizable value. The investment in United Bond & Share Limited, a wholly-owned subsidiary, is carried at cost plus equity in accumulated earnings. The investment in subsidiary is not consolidated because it is not significant.

Dividend and interest income —

Dividend income is recognized on the ex-dividend date and interest income is recognized as earned.

Foreign exchange —

The average cost of investments other than Canadian is the cost thereof translated into Canadian dollars at the rate of exchange prevailing at the time of purchase. The market value of such investments at March 31, 1976 has been translated into Canadian dollars at the exchange rate prevailing as at that date.

2. Other investments:

Other investments consist of the following —

|  | <u>1976</u>               | <u>1975</u>               |
|--|---------------------------|---------------------------|
| Shares in and advances to subsidiary, United Bond & Share Limited, at cost plus equity in accumulated earnings . . . | <b>\$1,507,610</b>        | \$1,464,905               |
| Shares in International Capital Corporation Ltd., at cost less \$160,000 to reduce investment to realizable value .  | <b>333,200</b>            | 366,400                   |
|  | <u><b>\$1,840,810</b></u> | <u><b>\$1,831,305</b></u> |

3. Income Debentures:

During the year, the Company issued \$8,000,000 of income debentures which mature March 9, 1979 and are repayable in whole or in part at the option of United Corporations Limited on 30 days' notice. These debentures bear interest at a variable rate determined in relation to the prime lending rate as at March 31, 1976 being 6.625%.

4. Capital stock:

Class "A" shares, without nominal or par value, are preferred as to cumulative dividends of \$1.50 per share per annum, and as to assets on winding up to the extent of \$30 per share plus accrued and unpaid dividends.

The 5% cumulative redeemable first preferred shares of the par value of \$30 per share are preferred over the 3% non-cumulative redeemable second preferred shares and the Class "B" shares as to cumulative dividends and as to repayment of capital, accrued dividends and specified premiums on winding up, but are subject and subordinated to the Class "A" shares of the corporation. The first series of these preferred shares consists of 80,290 5% cumulative redeemable first preferred shares, 1959 series, redeemable (on not less than 30 days' notice) and repayable on winding up at par plus accrued dividends. The second series consists of 119,710 5% cumulative redeemable first preferred shares, 1963 series, redeemable (on not less than 30 days' notice) and repayable on winding up at \$31.50 plus accrued dividends.

The 3% non-cumulative redeemable second preferred shares of the par value of 5 cents per share are subject and subordinate to the Class "A" and the first preferred shares as to payment of dividends and repayment of capital. There are at present no second preferred shares issued or outstanding.

The Class "B" shares are without nominal or par value.



**NOTES  
TO FINANCIAL  
STATEMENTS**  
(continued)

5. Income taxes:

The Company qualifies as an investment corporation under Section 130 of the Income Tax Act — Canada. As such, dividends received from taxable Canadian corporations are not taxed while other income is taxed at reduced rates.

Taxes on capital gains are refundable to the Company if the Company elects to distribute such gains by way of capital gains dividends to its shareholders. The Company has refundable capital gains tax on hand of \$215,478 at March 31, 1976. The net capital loss for tax purposes for the year ended March 31, 1976 amounted to \$3,206,267 which can be carried forward indefinitely against future capital gains. These potential recoveries have not been recorded in the Company's accounts.

6. Employees' stock option plan:

In accordance with the provisions of the employees' stock option plan as amended, options to purchase 45,000 Class "B" shares are outstanding and 66,920 Class "B" shares are reserved for further options. The options outstanding are exercisable at an average price of \$13.59.

7. Remuneration of directors and officers:

Total remuneration paid or payable to directors and officers was as follows:

|   | 1976      | 1975      |
|---|-----------|-----------|
| Directors .....                                 | \$ 25,950 | \$ 25,600 |
| Officers .....                                  | \$227,300 | \$246,475 |
| Number of directors .....                       | 11        | 11        |
| Number of officers .....                        | 5         | 7         |
| Number of officers who are also directors ..... | 2         | 2         |

Officers are remunerated by United Bond & Share Limited, and the management fee charged to the Company reflects a proportionate amount of such remuneration.

**AUDITORS' REPORT**

**To the Shareholders of United Corporations Limited:**

We have examined the financial statements of United Corporations Limited for the year ended March 31, 1976 which appear on pages 6 to 13 inclusive. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position and investments of the Corporation as at March 31, 1976 and the results of its operations and the changes in its net assets for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Montreal, May 4, 1976

Price Waterhouse & Co.  
Chartered Accountants

## LONG TERM RECORD OF INVESTMENT RESULTS — CLASS "B" SHARES

| Year      | Net Equity For Class "B" Shares |           |                |           | Realized Net Capital Gains |           | Net Income                     |           |
|-----------|---------------------------------|-----------|----------------|-----------|----------------------------|-----------|--------------------------------|-----------|
|           | Market                          | Cost      |                | Per Share | After Taxes                |           | Available For Class "B" Shares |           |
|           | Total                           | Per Share | Total          |           | Total                      | Per Share | Total                          | Per Share |
| 1933..... | \$ (378,823)                    | \$ (0.13) | \$ (1,405,281) | \$ (0.48) | \$ 403,227                 | \$0.140   | \$ 72,510                      | \$0.025   |
| 1934..... | 1,550,855                       | 0.53      | (1,192,871)    | (0.41)    | 157,221                    | 0.055     | 1,595                          | 0.001     |
| 1935..... | 2,718,308                       | 0.94      | (804,255)      | (0.27)    | 337,039                    | 0.117     | 115,845                        | 0.040     |
| 1936..... | 6,296,163                       | 2.18      | 1,275,583      | 0.44      | 1,970,479                  | 0.685     | 45,088                         | 0.016     |
| 1937..... | 3,114,981                       | 1.08      | 1,899,451      | 0.66      | 490,410                    | 0.170     | (43,501)                       | (0.015)   |
| 1938..... | 4,086,736                       | 1.42      | 2,359,600      | 0.82      | 108,117                    | 0.038     | 48,982                         | 0.017     |
| 1939..... | 4,550,325                       | 1.58      | 2,919,308      | 1.01      | 453,900                    | 0.158     | 77,058                         | 0.027     |
| 1940..... | 3,382,741                       | 1.17      | 3,173,101      | 1.10      | 227,433                    | 0.079     | 26,358                         | 0.009     |
| 1941..... | 2,987,636                       | 1.03      | 3,311,741      | 1.15      | 118,688                    | 0.041     | 79,900                         | 0.028     |
| 1942..... | 3,632,977                       | 1.26      | 3,320,169      | 1.15      | (45,566)                   | (0.016)   | 117,690                        | 0.041     |
| 1943..... | 5,166,473                       | 1.79      | 3,385,603      | 1.17      | 89,011                     | 0.031     | 78,361                         | 0.027     |
| 1944..... | 6,818,492                       | 2.37      | 3,674,355      | 1.27      | 259,962                    | 0.090     | 153,480                        | 0.053     |
| 1945..... | 10,064,064                      | 3.49      | 4,706,920      | 1.63      | 1,021,940                  | 0.355     | 173,681                        | 0.060     |
| 1946..... | 9,779,382                       | 3.39      | 5,832,568      | 2.02      | 1,062,602                  | 0.369     | 242,888                        | 0.084     |
| 1947..... | 9,488,685                       | 3.29      | 6,553,505      | 2.28      | 693,688                    | 0.241     | 338,974                        | 0.118     |
| 1948..... | 9,375,986                       | 3.25      | 7,080,320      | 2.46      | 574,347                    | 0.200     | 299,464                        | 0.104     |
| 1949..... | 10,804,850                      | 3.75      | 7,194,498      | 2.50      | 110,554                    | 0.038     | 387,287                        | 0.135     |
| 1950..... | 13,542,503                      | 4.70      | 7,734,846      | 2.68      | 650,507                    | 0.226     | 561,357                        | 0.195     |
| 1951..... | 16,624,505                      | 5.77      | 8,917,555      | 3.09      | 1,180,124                  | 0.410     | 578,082                        | 0.201     |
| 1952..... | 15,792,833                      | 5.48      | 10,100,526     | 3.51      | 1,169,466                  | 0.406     | 612,980                        | 0.213     |
| 1953..... | 15,662,967                      | 5.44      | 10,282,981     | 3.57      | 167,059                    | 0.058     | 638,850                        | 0.222     |
| 1954..... | 21,733,761                      | 7.55      | 11,393,897     | 3.95      | 1,082,987                  | 0.376     | 699,341                        | 0.243     |
| 1955..... | 25,747,806                      | 8.94      | 13,755,494     | 4.78      | 2,348,630                  | 0.816     | 732,337                        | 0.255     |
| 1956..... | 25,170,984                      | 8.74      | 16,552,514     | 5.75      | 2,785,558                  | 0.968     | 778,790                        | 0.271     |
| 1957..... | 22,000,526                      | 7.64      | 17,684,185     | 6.14      | 1,064,583                  | 0.370     | 834,416                        | 0.290     |
| 1958..... | 28,814,158                      | 10.01     | 18,450,974     | 6.41      | 636,177                    | 0.221     | 897,941                        | 0.312     |
| 1959..... | 34,220,894                      | 10.02     | 26,438,371     | 7.74      | 2,426,184                  | 0.711     | 845,173                        | 0.248     |
| 1960..... | 33,624,014                      | 9.85      | 27,137,616     | 7.95      | 644,825                    | 0.189     | 1,080,482                      | 0.317     |
| 1961..... | 40,375,693                      | 11.77     | 29,334,538     | 8.55      | 2,108,673                  | 0.615     | 1,074,576                      | 0.313     |
| 1962..... | 37,892,527                      | 11.01     | 29,117,210     | 8.46      | (329,562)                  | (0.096)   | 1,145,036                      | 0.333     |
| 1963..... | 44,574,262                      | 12.84     | 30,190,569     | 8.69      | 1,223,254                  | 0.352     | 1,025,784                      | 0.296     |
| 1964..... | 55,113,905                      | 15.87     | 33,782,692     | 9.73      | 3,588,064                  | 1.034     | 1,284,223                      | 0.370     |
| 1965..... | 58,370,387                      | 16.80     | 36,245,319     | 10.43     | 2,363,628                  | 0.680     | 1,503,104                      | 0.433     |
| 1966..... | 55,408,872                      | 15.94     | 40,534,175     | 11.66     | 4,010,780                  | 1.154     | 1,664,295                      | 0.479     |
| 1967..... | 67,010,142                      | 19.11     | 46,964,486     | 13.39     | 6,051,175                  | 1.727     | 1,740,530                      | 0.497     |
| 1968..... | 77,183,680                      | 21.98     | 53,895,493     | 15.35     | 7,685,656                  | 2.189     | 1,700,009                      | 0.484     |
| 1969..... | 71,022,217                      | 20.20     | 59,372,328     | 16.88     | 6,445,802                  | 1.833     | 1,865,674                      | 0.531     |
| 1970..... | 63,455,575                      | 18.05     | 56,150,906     | 15.97     | (2,108,632)                | (0.600)   | 1,981,177                      | 0.563     |
| 1971..... | 65,654,757                      | 18.67     | 54,261,200     | 15.43     | (394,428)                  | (0.112)   | 1,669,008                      | 0.475     |
| 1972..... | 79,010,506                      | 22.47     | 57,536,413     | 16.36     | 4,117,838                  | 1.171     | 1,723,962                      | 0.490     |
| 1973..... | 76,011,552                      | 21.61     | 59,907,655     | 17.03     | 3,275,975 (c)              | 0.931 (c) | 374,400 (c)                    | 0.106 (c) |
| 1974..... | 74,710,661                      | 21.23     | 62,385,604     | 17.73     | 2,310,949                  | 0.657     | 1,996,086                      | 0.567     |
| 1975..... | 63,927,510                      | 18.14     | 63,664,343     | 18.07     | 833,466                    | 0.237     | 2,790,691                      | 0.792     |
| 1976..... | 64,328,820                      | 18.26     | 60,898,691     | 17.28     | (2,892,770)                | (0.821)   | 2,522,400                      | 0.716     |

(a) Class "B" Share figures have been adjusted to reflect subdivisions of 4 for 1 in April, 1953, and 3 for 1 in June, 1964.

(b) Figures in brackets denote red figures.

(c) For the three months ending March 31, 1973.

(d) Annualized.



| Additions to Surplus |           | Class "B" Dividends Declared |           |             |  | Operating Expenses<br>Before interest and taxes |         |
|----------------------|-----------|------------------------------|-----------|-------------|--|---|---------|
| Total                | Per Share | Capital                      | Income    |             | Percentage of<br>Class "B" Equity<br>at market |   |         |
| Total                | Per Share | Total                        | Per Share | Total       | Per Share                                      | Total   | %       |
| \$ 475,737           | \$0.165   | \$ —                         | \$ —      | \$ —        | \$ —   | \$ 42,104                                       | —       |
| 158,816              | 0.056     | —                            | —         | —           | —  | 41,341  | 2.67    |
| 452,884              | 0.157     | —                            | —         | —           | —  | 44,370  | 1.63    |
| 2,015,567            | 0.701     | —                            | —         | —           | —  | 66,569  | 1.05    |
| 446,909              | 0.195     | —                            | —         | —           | —  | 65,694  | 2.11    |
| 157,099              | 0.055     | —                            | —         | —           | —  | 58,199  | 1.42    |
| 530,958              | 0.185     | —                            | —         | —           | —  | 57,270  | 1.26    |
| 253,791              | 0.088     | —                            | —         | —           | —  | 60,415  | 1.85    |
| 198,588              | 0.069     | —                            | —         | 59,948      | .02  | 44,816  | 1.50    |
| 72,124               | 0.025     | —                            | —         | 71,937      | .025   | 43,195  | 1.22    |
| 167,372              | 0.058     | —                            | —         | 71,937      | .025   | 45,108  | .87     |
| 413,442              | 0.143     | —                            | —         | 124,691     | .043   | 44,263  | .65     |
| 1,195,621            | 0.415     | —                            | —         | 163,057     | .06  | 46,882  | .47     |
| 1,305,489            | 0.453     | —                            | —         | 179,843     | .06  | 48,225  | .49     |
| 1,032,662            | 0.359     | —                            | —         | 311,727     | .11  | 46,485  | .49     |
| 873,811              | 0.304     | —                            | —         | 359,685     | .125   | 56,582  | .60     |
| 497,841              | 0.173     | —                            | —         | 383,664     | .13  | 60,022  | .56     |
| 1,211,864            | 0.421     | —                            | —         | 551,517     | .19  | 66,427  | .49     |
| 1,758,206            | 0.611     | —                            | —         | 575,496     | .20  | 70,971  | .43     |
| 1,782,446            | 0.619     | —                            | —         | 599,475     | .21  | 72,186  | .46     |
| 805,909              | 0.280     | —                            | —         | 623,454     | .22  | 83,124  | .53     |
| 1,782,328            | 0.619     | —                            | —         | 671,412     | .23  | 91,038  | .42     |
| 3,080,967            | 1.071     | —                            | —         | 719,370     | .25  | 91,440  | .36     |
| 3,564,348            | 1.239     | —                            | —         | 767,328     | .27  | 103,470   | .41     |
| 1,898,999            | 0.660     | —                            | —         | 767,328     | .27  | 111,113   | .51     |
| 1,534,118            | 0.533     | —                            | —         | 767,328     | .27  | 106,672   | .37     |
| 3,271,357            | 0.959     | —                            | —         | 863,244     | .30  | 113,060   | .33     |
| 1,725,307            | 0.506     | —                            | —         | 1,023,562   | .30  | 158,548   | .47     |
| 3,183,249            | 0.928     | —                            | —         | 1,083,277   | .32  | 152,566   | .38     |
| 815,474              | 0.237     | —                            | —         | 1,089,975   | .32  | 155,156   | .41     |
| 2,249,038            | 0.648     | —                            | —         | 1,157,791   | .33  | 148,494   | .33     |
| 4,872,287            | 1.404     | —                            | —         | 1,284,214   | .37  | 155,680   | .28     |
| 3,866,732            | 1.113     | —                            | —         | 1,423,745   | .41  | 163,928   | .28     |
| 5,675,075            | 1.633     | —                            | —         | 1,389,999   | .44  | 165,166   | .30     |
| 7,791,705            | 2.224     | —                            | —         | 1,601,039   | .46  | 182,561   | .27     |
| 9,385,665            | 2.673     | —                            | —         | 2,523,508   | .72  | 226,717   | .29     |
| 8,311,475            | 2.364     | 1,053,262                    | 0.34      | 1,827,503   | .48  | 277,012   | .39     |
| (127,455)            | (0.004)   | 1,230,555                    | 0.36      | 1,863,413   | .52  | 303,083   | .48     |
| 1,274,580            | 0.587     | 1,406,349                    | 0.42      | 1,757,937   | .48  | 272,948   | .42     |
| 5,841,800            | 1.661     | 878,968                      | 0.25      | 1,687,619   | .48  | 268,995   | .34     |
| 3,650,375 (c)        | 1.037 (c) | 879,368 (c)                  | 0.25 (c)  | 421,905 (c) | .12 (c)  | 68,585 (c)                                      | .36 (d) |
| 4,307,035            | 1.224     | —                            | —         | 1,829,086   | .52  | 270,578   | .36     |
| 3,624,157            | 1.029     | —                            | —         | 2,392,243   | .68  | 256,619   | .40     |
| (370,370)            | (0.011)   | —                            | —         | 2,395,282   | .68  | 265,712   | .41     |

**SUMMARY BALANCE SHEETS** (all investments at market)

| <b>Portfolio —</b>  | <b>1976<br/>March 31st</b> | <b>1975<br/>March 31st</b> | <b>1974<br/>March 31st</b> | <b>1973<br/>March 31st</b> | <b>1972<br/>Dec. 31st</b> | <b>1971<br/>Dec. 31st</b> |
|---|----------------------------|----------------------------|----------------------------|----------------------------|---------------------------|---------------------------|
| Cash, etc., Bullion, Short Term<br>Notes & Bonds .....                        | \$ 6,352,602               | \$ 9,249,465               | \$13,947,145               | \$ 5,471,031               | \$ 4,408,387              | \$ 5,079,205              |
| Less: Liabilities .....   | 57,109                     | 297,940                    | 267,236                    | 1,975,491                  | 191,990                   | 377,661                   |
| Quick Reserves .....  | 6,295,493                  | 8,951,525                  | 13,679,909                 | 3,495,540                  | 4,216,397                 | 4,701,544                 |
| Preferred Stocks .....  | —                          | —                          | —                          | —                          | —                         | 593,312                   |
| Total Reserves .....  | 6,295,493                  | 8,951,525                  | 13,679,909                 | 3,495,540                  | 4,216,397                 | 5,294,856                 |
| Common Stocks & Convertibles* ..  | 71,939,192                 | 60,891,355                 | 66,706,356                 | 78,145,025                 | 80,435,645                | 66,067,712                |
| Total Portfolio Investments and<br>Cash .....                                 | 78,234,685                 | 69,842,880                 | 80,386,265                 | 81,640,565                 | 84,652,042                | 71,362,568                |
| Investment in and advances to<br>Subsidiary and Affiliated<br>Companies ..... | 1,840,810                  | 1,831,305                  | 2,071,071                  | 2,117,662                  | 2,105,139                 | 2,038,864                 |
| Net Assets available for investment   | 80,075,495                 | 71,674,185                 | 82,457,336                 | 83,758,227                 | 86,757,181                | 73,401,432                |
| Less: Income Debentures .....   | 8,000,000                  | —                          | —                          | —                          | —                         | —                         |
| Total Net Assets .....  | <u>\$72,075,495</u>        | <u>\$71,674,185</u>        | <u>\$82,457,336</u>        | <u>\$83,758,227</u>        | <u>\$86,757,181</u>       | <u>\$73,401,432</u>       |
| <b>Capitalization —</b>   |                            |                            |                            |                            |                           |                           |
| Senior Capital at Redemption<br>Prices: —                                     |                            |                            |                            |                            |                           |                           |
| Class "A" Shares .....  | \$ 1,567,110               | \$ 1,567,110               | \$ 1,567,110               | \$ 1,567,110               | \$ 1,567,110              | \$ 1,567,110              |
| Preferred Shares .....  | 6,179,565                  | 6,179,565                  | 6,179,565                  | 6,179,565                  | 6,179,565                 | 6,179,565                 |
| Total Senior Capital .....  | 7,746,675                  | 7,746,675                  | 7,746,675                  | 7,746,675                  | 7,746,675                 | 7,746,675                 |
| Class "B" Equity* .....   | 64,328,820                 | 63,927,510                 | 74,710,661                 | 76,011,552                 | 79,010,506                | 65,654,757                |
|   | <u>\$72,075,495</u>        | <u>\$71,674,185</u>        | <u>\$82,457,336</u>        | <u>\$83,758,227</u>        | <u>\$86,757,181</u>       | <u>\$73,401,432</u>       |
| *Percentage of Common Stocks<br>& Convertibles to Class "B"<br>Equity — ..... | 111.8%                     | 95.3%                      | 89.3%                      | 102.8%                     | 101.8%                    | 100.6%                    |

**Distribution of Portfolio Investments**

|  | 1976                |                | 1975                |                |
|--|---------------------|----------------|---------------------|----------------|
| March 31                                   | Market Value        | Percentage     | Market Value        | Percentage     |
| Cash, Short Term Notes, etc. — net .....   | \$ 6,295,493        | 8.05%          | \$ 5,570,367        | 7.98%          |
| Bullion .....                              | —                   | —              | 3,381,158           | 4.84           |
| Convertibles .....                         | 1,194,150           | 1.53           | 764,200             | 1.09           |
| Common Stocks .....                        | 70,745,042          | 90.42          | 60,127,155          | 86.09          |
| Total Portfolio Investments and Cash ..... | <u>\$78,234,685</u> | <u>100.00%</u> | <u>\$69,842,880</u> | <u>100.00%</u> |

Geographical distribution at market, March 31, 1976 — Canada 90.34% — Foreign 9.66%

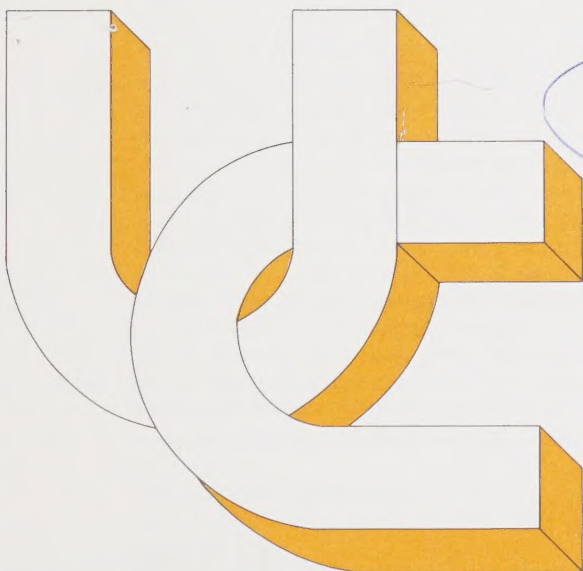








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**UNITED  
CORPORATIONS  
LIMITED**

Report for the  
6 months ended  
September 30, 1976

# UNITED CORPORATIONS LIMITED



## To the Shareholders

The action of the Canadian stock market so far in 1976 has borne a remarkable resemblance to 1975 — a slow downward drift from a new recovery high set earlier in the year culminating in a sharp correction as autumn approached. The underlying reasons have also been strikingly similar — concern as to the future course of inflation and the durability of the economic recovery — although the emphasis this year seems to have switched from the former to the latter. A high degree of nervousness in financial markets is understandable in view of the inflation and recession of the last few years but it continues to be our judgment at this point in time that the market is giving too much emphasis to the possible negatives in the situation and not enough to the fact that we have made considerable progress in correcting some of the excesses of a few years ago. Equity investment is a long-term proposition and for the long-term investor this is, in our view, a time for patience rather than undue pessimism.

Net income for the six month period was \$1,163,469 compared to \$1,421,979 for the same period last year with the decline accounted for by a combination of a lower portfolio yield and the six month interest requirements of the Income Debentures. After provision for Class "A" and Preferred dividends, net income available for the Class "B" Shares was \$974,291 or 27.7¢ per share as against \$1,232,801 or 35.0¢ per share. We will be watching our income position very closely in the coming months in the light of our Class "B" dividend requirements but, as of now, we feel that the potential for capital gains justifies our accepting some decrease in current income.

Realized after-tax capital gains for the six months amounted to \$1,375,155, equal to 39.0¢ per Class "B" Share. When the figures for net income and realized capital gains are combined, they result in total net profit after taxes for the half year of \$2,349,446 or 66.7¢ per Class "B" Share. Class "B" dividends totalling \$1,127,191 or 32¢ per share were paid out of net income during the period leaving a net addition to surplus of \$1,222,255 or 34.7¢ per share.

This increase in surplus was more than offset by unrealized capital depreciation of \$1,848,147 or 52.5¢ per Class "B" Share with the result that our net equity per Class "B" Share fell during the six months from \$18.32 to \$18.14, a decline of just under 1%. By way of comparison, the Toronto Stock Exchange Index declined 2.3% during the same period.

At their October meeting your Directors declared, in addition to the normal dividends on the Class "A" and Preferred Shares, a regular quarterly dividend of 16¢ per Class "B" Share payable November 15th to shareholders of record November 2nd.

October 22, 1976.

J. V. EMORY,  
*President*



# UNITED CORPORATIONS LIMITED

## Statement of Net Income

Six Months Ended September 30

|   | <u>1976</u>         | <u>1975</u>         |
|---|---------------------|---------------------|
| <b>Income—</b>  |                     |                     |
| Dividends .....   | \$ 1,462,948        | \$ 1,291,428        |
| Interest .....  | 139,309             | 290,900             |
| Net income from wholly-owned subsidiary .....                         | 602                 | 36,640              |
|   | <u>1,602,859</u>    | <u>1,618,968</u>    |
| <b>Expenses—</b>  |                     |                     |
| Management expenses .....   | 100,000             | 97,500              |
| Transfer, registrar, dividend paying agent's fees ..                  | 13,702              | 9,647               |
| Directors' fees .....   | 12,350              | 14,350              |
| Legal and audit .....   | 4,671               | 8,478               |
| General .....   | 22,946              | 17,825              |
|   | <u>153,669</u>      | <u>147,800</u>      |
| Net income before income taxes and interest .....                     | 1,449,190           | 1,471,168           |
| Provision for income taxes, including foreign<br>taxes withheld ..... | 19,940              | 49,189              |
|   | <u>1,429,250</u>    | <u>1,421,979</u>    |
| Interest on income bond .....   | 265,781             | —                   |
| <b>Net Income</b> .....   | <u>\$ 1,163,469</u> | <u>\$ 1,421,979</u> |

## Statement of Changes in Net Assets

Six Months Ended September 30

|  | <u>1976</u>                | <u>1975</u>         |
|--|----------------------------|---------------------|
| <b>Net assets at beginning of period</b> .....                         | <b>\$72,075,495</b>        | \$71,674,185        |
| Add (deduct) changes during the period —                               |                            |                     |
| Net income .....   | 1,163,469                  | 1,421,979           |
| Net gain (loss) on securities sold .....                               | 1,375,155                  | (280,763)           |
| (Decrease) in unrealized appreciation in value of<br>investments ..... | (1,848,145)                | (1,548,343)         |
| Dividends .....  | (1,316,369)                | (1,316,369)         |
| Reduction in refundable capital gains tax .....                        | 205,094                    | 73,505              |
| <b>Net assets at end of period</b> .....                               | <u><b>\$71,654,699</b></u> | <u>\$70,024,194</u> |

## Statement of Net Gain (Loss) on Securities Sold

Six Months Ended September 30

|  | <u>1976</u>                | <u>1975</u>         |
|--|----------------------------|---------------------|
| Proceeds from sales of investments .....           | \$15,681,899               | \$17,187,037        |
| Investments at average cost at beginning of period | 68,509,063                 | 64,009,347          |
| Cost of securities purchased .....                 | 19,640,695                 | 19,343,533          |
|  | <u>88,149,758</u>          | <u>83,352,880</u>   |
| Investments at average cost at end of period ..... | 73,843,014                 | 65,885,080          |
| Cost of securities sold .....                      | 14,306,744                 | 17,467,800          |
| <b>Net gain (loss) on securities sold</b> .....    | <u><b>\$ 1,375,155</b></u> | <u>\$ (280,763)</u> |

# UNITED CORPORATIONS LIMITED

## Statement of Investments as at September 30, 1976

| No. of Shares<br>or Par Value  | Cost              | Market<br>Value   | %<br>to<br>Total |
|--|-------------------|-------------------|------------------|
| <b>BANKS</b>   |                   |                   |                  |
| 67,250 The Bank of Nova Scotia .....                                   | 2,722,377         | 2,925,375         |                  |
| 47,000 Canadian Imperial Bank of<br>Commerce .....                     | 804,708           | 1,239,625         |                  |
| 47,300 The Mercantile Bank of Canada .....                             | 832,323           | 792,275           |                  |
| 81,660 The Royal Bank of Canada .....                                  | 1,746,035         | 2,368,140         |                  |
| 98,098 The Toronto-Dominion Bank .....                                 | 1,799,665         | 1,949,698         |                  |
|  | <u>7,905,108</u>  | <u>9,275,113</u>  | 11.64            |
| <b>CHEMICAL</b>  |                   |                   |                  |
| 39,700 Union Carbide Canada Limited .....                              | 925,844           | 883,325           | 1.11             |
| <b>COMMUNICATIONS</b>  |                   |                   |                  |
| 43,700 Canadian Cablesystems Limited .....                             | 783,135           | 770,213           |                  |
| 52,800 Harlequin Enterprises Limited .....                             | 435,600           | 488,400           |                  |
| 81,500 Thomson Newspapers Limited<br>Class A .....                     | 1,109,008         | 1,028,937         |                  |
| 69,000 Western Broadcasting Company<br>Ltd. Class A .....              | 653,790           | 698,625           |                  |
|  | <u>2,981,533</u>  | <u>2,986,175</u>  | 3.75             |
| <b>GENERAL MANUFACTURING</b>   |                   |                   |                  |
| 100,000 Canadian Marconi Company .....                                 | 495,454           | 435,000           |                  |
| 10,000 I.T.L. Industries Limited<br>6 1/2% Conv. Pfd. Series "B" ..... | 250,000           | 80,000            |                  |
| 81,600 Northern Telecom Limited<br>Warrants .....                      | 1,300,349         | 1,101,600         |                  |
|  | <u>2,045,803</u>  | <u>1,616,600</u>  | 2.03             |
| <b>MINES &amp; METALS</b>  |                   |                   |                  |
| 111,300 Alcan Aluminium Limited .....                                  | 3,030,282         | 2,852,062         |                  |
| 28,900 Asbestos Corporation Limited .....                              | 612,126           | 877,837           |                  |
| 10,000 Brenda Mines Ltd. ....  | 79,711            | 75,000            |                  |
| 22,500 Cominco Ltd. ....   | 695,717           | 832,500           |                  |
| 27,700 Falconbridge Nickel Mines Limited .....                         | 1,108,927         | 1,094,150         |                  |
| 52,322 Great Lakes Nickel Limited<br>Options .....                     | 1,207             | 7,848             |                  |
| 12,900 Hudson Bay Mining and Smelting<br>Co., Limited Class "A" .....  | 277,339           | 238,650           |                  |
| 101,100 Inco Limited Class "A" .....                                   | 3,312,433         | 3,285,750         |                  |
| 117,500 Kaiser Resources Ltd. ....                                     | 1,421,723         | 1,600,938         |                  |
| 79,000 Kerr Addison Mines Limited<br>Class "A" .....                   | 1,044,338         | 977,625           |                  |
| 98,200 Noranda Mines Limited Class A .....                             | 3,475,736         | 3,522,925         |                  |
| 15,500 Placer Development Limited .....                                | 372,886           | 341,000           |                  |
| 23,605 Rio Algom Mines Limited .....                                   | 732,861           | 767,163           |                  |
|  | <u>16,165,286</u> | <u>16,473,448</u> | 20.68            |
| <b>MERCHANDISING</b>   |                   |                   |                  |
| 11,400 Canadian Tire Corporation,<br>Limited Class A .....             | 557,994           | 450,300           |                  |
| 5,900 Dominion Stores Limited .....                                    | 100,064           | 88,500            |                  |
| 45,500 Fields Stores Limited .....                                     | 409,581           | 386,750           |                  |
|  | <u>1,067,639</u>  | <u>925,550</u>    | 1.16             |
| <b>OIL &amp; GAS</b>   |                   |                   |                  |
| 7,500 Aquitaine Company of Canada Ltd. ..                              | 153,170           | 124,687           |                  |
| 40,000 Dome Petroleum Limited .....                                    | 1,397,155         | 1,340,000         |                  |
| 12,000 Gulf Oil Canada Limited .....                                   | 278,266           | 300,000           |                  |
| 13,350 Home Oil Company Limited<br>Class A .....                       | 365,234           | 353,775           |                  |
| 39,000 Husky Oil Ltd. ....   | 1,071,691         | 663,000           |                  |
| 8,800 Imperial Oil Limited Class "A" .....                             | 223,583           | 185,900           |                  |
| 50,050 Pacific Petroleum Ltd. ....                                     | 1,136,752         | 1,288,788         |                  |
| 82,100 Shell Canada Limited Class "A" .....                            | 1,071,764         | 1,231,500         |                  |
|  | <u>5,697,615</u>  | <u>5,487,650</u>  | 6.89             |
| <b>PAPER &amp; FOREST PRODUCTS</b>                                     |                   |                   |                  |
| 35,200 Abitibi Paper Company Ltd. ....                                 | 464,230           | 426,800           |                  |
| 58,600 British Columbia Forest<br>Products Limited .....               | 1,327,985         | 1,347,800         |                  |
| 5,300 Consolidated-Bathurst Limited<br>Class A .....                   | 201,537           | 185,500           |                  |
| 2,500 Consolidated-Bathurst Limited<br>Warrants .....                  | 43,231            | 39,063            |                  |
| 58,500 MacMillan Bloedel Limited .....                                 | 1,186,799         | 1,323,562         |                  |
| 28,900 The Price Company Limited .....                                 | 484,822           | 415,438           |                  |
|  | <u>3,708,604</u>  | <u>3,738,163</u>  | 4.69             |

| No. of Shares<br>or Par Value   | Cost                | Market<br>Value     | %<br>to<br>Total |
|---|---------------------|---------------------|------------------|
| <b>PIPELINE</b>   |                     |                     |                  |
| 73,000 The Alberta Gas Trunk Line<br>Company Limited Class "A" .....                        | 697,126             | 1,022,000           |                  |
| 105,000 TransCanada PipeLines Limited .....   | 1,227,800           | 1,338,750           |                  |
| 53,022 Westcoast Transmission Company<br>Limited .....                                      | 1,160,981           | 1,378,572           |                  |
|   | <u>3,085,907</u>    | <u>3,739,322</u>    | 4.69             |
| <b>REAL ESTATE</b>  |                     |                     |                  |
| 46,000 The Cadillac Fairview Corporation<br>Limited .....                                   | 557,588             | 460,000             | .58              |
| <b>STEEL</b>  |                     |                     |                  |
| 36,200 The Algoma Steel Corporation,<br>Limited .....                                       | 873,250             | 868,800             |                  |
| 59,150 Dominion Foundries and Steel,<br>Limited Class A .....                               | 1,556,101           | 1,663,594           |                  |
| 102,000 The Steel Company of Canada,<br>Limited Class "A" .....                             | 2,997,200           | 2,843,250           |                  |
|   | <u>5,426,551</u>    | <u>5,375,644</u>    | 6.75             |
| <b>TRUST &amp; LOAN</b>   |                     |                     |                  |
| 36,900 The Royal Trust Company<br>Class "A" .....   | 856,062             | 691,875             | .87              |
| <b>UTILITY</b>  |                     |                     |                  |
| 73,342 Bell Canada .....  | 3,244,894           | 3,667,100           |                  |
| 36,000 Bell Canada Warrants .....   | 200,378             | 202,500             |                  |
| 64,450 Calgary Power Ltd. Class A .....   | 1,607,311           | 2,030,175           |                  |
| 47,500 Norcen Energy Resources Limited ..   | 586,786             | 575,937             |                  |
|   | <u>5,639,369</u>    | <u>6,475,712</u>    | 8.13             |
| <b>MISCELLANEOUS</b>  |                     |                     |                  |
| 33,000 Abbey Glen Property Corporation ..   | 219,731             | 214,500             |                  |
| 195,000 Canadian Pacific Limited .....  | 3,413,165           | 3,388,125           |                  |
| 86,500 Consumers Glass Company Limited ..   | 828,274             | 1,232,625           |                  |
| 29,000 Genstar Limited .....  | 532,790             | 645,250             |                  |
| 16,000 The Great-West Life Assurance<br>Company .....                                       | 1,015,356           | 816,000             |                  |
| 32,800 Massey-Ferguson Limited .....  | 781,369             | 717,500             |                  |
| 52,700 Moore Corporation Limited .....  | 2,388,860           | 1,811,562           |                  |
| 20,000 Okanagan Helicopters Limited .....   | 294,043             | 100,000             |                  |
| 30,100 Rothmans of Pall Mall Canada<br>Limited 6 5/8% Conv. Second Pfd.<br>(\$20 par) ..... | 430,770             | 443,975             |                  |
| 28,800 Rothmans of Pall Mall Canada<br>Limited .....  | 433,088             | 403,200             |                  |
| 25,000 Systems Dimensions Limited .....   | 273,417             | 52,500              |                  |
| \$350,000 Systems Dimensions Limited<br>5% Conv. 1989 .....                                 | 410,000             | 175,000             |                  |
|   | <u>11,020,863</u>   | <u>10,000,237</u>   | 12.56            |
| <b>AMERICAN SECURITIES</b>  |                     |                     |                  |
| 20,000 W. W. Grainger Incorporated .....  | 494,347             | 637,000             |                  |
| 8,000 Inland Steel Company .....  | 366,311             | 391,840             |                  |
| 8,000 International Business Machines<br>Corporation .....                                  | 1,672,098           | 2,197,600           |                  |
| 2,500 Lilly (Eli) and Company .....   | 130,868             | 134,625             |                  |
| 25,000 Lykes Corporation .....  | 587,698             | 434,500             |                  |
| 5,500 McDonald's Corporation .....  | 345,209             | 294,800             |                  |
| 34,800 Northwest Airlines, Incorporated ..  | 968,515             | 1,032,168           |                  |
| 22,400 D. S. Revco Incorporated .....   | 488,236             | 506,464             |                  |
| 30,000 Sundstrand Corporation .....   | 900,576             | 933,600             |                  |
| 9,000 Texasgulf Inc. ....   | 315,126             | 304,110             |                  |
| 10,000 Trans World Airlines, Incorporated ..  | 146,519             | 102,100             |                  |
| 6,750 United States Steel Corporation ...   | 343,739             | 327,375             |                  |
|   | <u>6,759,242</u>    | <u>7,296,182</u>    | 9.16             |
| <b>TOTAL PORTFOLIO INVESTMENTS</b> .....  | <b>\$73,843,014</b> | <b>\$75,424,996</b> | <b>94.69%</b>    |
| <b>CASH AND OTHER ASSETS — NET</b> .....  | <b>4,229,703</b>    | <b>4,229,703</b>    | <b>5.31</b>      |
| <b>TOTAL PORTFOLIO INVESTMENTS AND CASH</b>   | <b>\$78,072,717</b> | <b>\$79,654,699</b> | <b>100.00%</b>   |